



**Helping to Solve the Workforce Crisis in the Long-Term Care Industry**

**Executive Summary  
March 2014**

# Executive Summary

## Problem / Opportunity

America is getting older. People are living longer. The need for long-term care (LTC) services is rising and will continue to grow. As the need continues to expand, patients face the daunting task of locating services and then finding trustworthy caregivers to enter their home or a reputable facility to provide care. The providers of LTC services are challenged by a shortage of workers, high turnover rates, an opaque marketplace and lack of human capital management (HCM) and marketing solutions which cater to their unique needs. Add to this a fragmented regulatory environment that is further complicated by Section 6201 of the *The Patient Protection and Affordable Care Act* (ACA) and it becomes evident that the LTC industry is in dire need of technologies to ease the pains of providing these vital care services.

## Solution / Product

CredentialedCARE (CCC) has created an innovative web services solution for LTC providers that improves access to pre-screened, qualified workers, accelerates onboarding of new hires, lowers the cost of recruitment and meets regulatory compliance requirements. CCC's technology will be a comprehensive tool where long-term care enterprises (LTCE) will pay for access to our database of direct care workers (DCW). LTCEs will have the option to hire workers for temporary, permanent or temp-to-perm positions. We will accomplish this by:

1. Recruiting independent, paraprofessional and professional workers to publish a free CCC profile and submit to undergoing our state approved credentialing and BGC process.
2. Offering LTCEs access to these worker profiles with state approved credentialing to save time and money in the on-boarding process.
3. Providing a one-stop credentialing and aggregator function (including 6201 compliant and non-compliant checks) to all LTCEs in order to streamline the on-boarding process for their internal hires.
4. Offering consumer access (via API to online consumer-facing partners such as Care.com) to the CCC database of independent workers with state approved credentialing and BGCs.

## Section 6201 of The Patient Protection and Affordable Care Act

When passed in 2010, Section 6201 of the ACA legislated that each state plan, develop and implement better background screening of direct care workers (DCW) due to the increased risk of patient abuse, neglect and misappropriation of funds in LTC settings. The Department of Health and Human Services delegated oversight of the program to the Centers for Medicare and Medicaid Services (CMS) and as of May, 2013, 16 states were in various stages of development of this program. CMS guidelines require that each state perform these checks for LTC agencies and facilities:

- Nurse and Abuse Registries and other databases
- FBI fingerprint and criminal history
- Ongoing monitoring

The state must also develop criteria for qualifying workers, provide appeals processes and notify the applicants of outcomes. The important takeaway is that on-boarding new hires will become more complex because **each state will develop their own systems and procedures for implementation of the Section 6201 mandate**. This comes at a time when annual turnover can reach 70%.

Other states who have not adopted the 6201 provision have a dizzying array of regulations in place that range between nonexistent to name based criminal checks. Multi-state LTCEs face significant burdens navigating these regulations to onboard new workers. The 6201 provision attempts to standardize this system to simplify onboarding while also improving safety and transparency for consumers, but until and after fully implemented, LTCEs will benefit significantly from our consolidation of services.

## The LTC Market

LTC is an estimated \$260 billion market serving approximately 11 million adults in the United States today and is estimated to grow at an annual rate of 2.4 percent. Working within the LTC industry are 3.8 million DCWs and 850,000 skilled professionals employed by over 140,000 agencies and facilities. DCWs provide approximately 80% of all LTC services and a severe shortage is projected by 2020 where the U.S. will require 1.6 million more than in 2010.

## Competitive Analysis

CredentialedCARE's competitive categories include the following with examples:

- General Job Boards (Monster.com, Careerbuilder.com)
- DCW Recruitment (Care.com, MyCNAjobs.com)
- Healthcare Specific Job Boards (HealthcareSource.com, HealtheCareers.com)
- Background Check Services (ADP Pre-employment Services, EmployeeScreenIQ)

Job boards like Monster.com charge employers for access to their database of job seekers who list their resumes at no charge. They do not address the unique needs of LTCEs and their workforce requirements.

A recent arrival in the online DCW job market is MyCNAjobs.com. This direct competitor does not pre-qualify their candidates and their focus is on CNA training whereas CCC will focus on pre-screening workers.

Consumer-facing, online referral sites like Care.com offer BGCs to private caregivers and their prospective clients as a value added service. The private market is an unregulated, gray market that does not require the regulatory burdens that LTCEs must bear. Employers frequently use these sites for their recruiting needs however.

Job boards like HealthcareSource.com and HealtheCareers.com specialize in the professional, healthcare market for nurses, doctors and other licensed, skilled providers. Credentialing and BGCs are requested separately by LTCE's who integrate with the HealthcareSource site. None of the available partners focus specifically on credentialing in the LTC market and we view companies in this space as possible acquirers of our technology.

## Marketing and Distribution

CCC intends to provide a highly regarded, industry-wide platform that is recognized as the authority for LTC institutions, their employees and private caregivers. We will initially target two markets to achieve this. First, we will partner with a regional provider in the Southeast with multiple locations in non-compliant states and conduct a proof of concept, pilot study before expanding to other states. After successfully completing the pilot, we will gradually rollout the service to other non-compliant states. In month 18 after launch, we will introduce our service to the 6201 compliant states who are slowly adopting and creating their own independent systems.

Fewer than 20 states are in the process of adopting the Section 6201 provision of the ACA and those who have not yet adopted it have a dizzying array of regulations in place that presents a significant challenge to all LTCEs. We will be targeting these LTCEs with our early marketing efforts.

## Management and Team

**Dr. Gerald W. Flanagan, C.E.O.** - Founded and lead the planning and execution of company web services. Jerry managed the negotiations and execution of numerous partnerships and joint ventures with stakeholders to help clients adapt to forthcoming changes required by implementation of the Affordable Care Act. Dr. Flanagan has over 20 years of experience in clinical patient care and has published extensively in the peer-reviewed, medical literature. He received his Masters in Public Health from San Diego State University emphasizing epidemiology and biostatistics.

**Garrett Flanagan, C.M.O.** - Garrett helped shape sales and marketing strategy to gain traction in the long-term care market and recently led the company through the XLerateHealth accelerator program. He studied at UC Santa Cruz and majored in Economics.

**Matthew Marlowe, C.T.O.** - Matt is an experienced system architect, SysAdmin, and Network Engineer focused on building long-term and reliable Internet Infrastructure and development teams. Specialties include installation and management of Gentoo Linux Servers, Linux Server automation and private cloud management.

**Dovid Gurevich, C.F.O.** - Running strategy in a large private equity group set Mr. Gurevich on the course of management consulting. He has worked with over 30 companies, addressing every aspect of company strategy and operations. Dovid recently turned around a business in clinical information services, reorganizing it, capitalizing growth, revamping productization. The company increased revenues from \$1M to \$10M revenue in a little over 2 years, while continuously improving profitability.

## The Offering and Planned Uses

The venture is still in pre-revenue stage, focused primarily on product development and market readiness. Our growth strategy utilizes a revenue structure that is both volume-based and recurring. Our worker offering will be monetized primarily via background check fees (tiered based on the requirements: \$20-\$90) that are charged upon order and renewed as required by each state, usually every 3 years. The credentialing process is not pre-requisite for publishing the candidate profile. Most of the revenues are projected to be generated from business-to-business transactions. Such transactions will include a recurring subscription fee (tiered based on employer profile at \$120-\$300/mo) that will enable the baseline access to the system by the employers. In addition to this recurring fee the employers will pay a fixed fee for candidates who are placed using our platform. This fee will vary between permanent employee hires (starting at \$200 and up to 30% of annual salary, depending on seniority) and temporary placements (priced at \$25-\$75, depending on qualifications and length of placement).

Dr. Jerry Flanagan has financed CCC's initial \$300,000 investment since the company's inception in 2009. CCC seeks to close a \$250,000 seed round in the form of a convertible note in the second quarter of 2014. The company will use the seed funds to build out the functionality of the CCC site, implement the sales and marketing plan, fund operations to break-even and for general business purposes

## SEED USES

<b>Sales &amp; Marketing</b>	<b>20%</b>	<b>\$</b>	<b>50,000</b>
B2B Lead Acquisition	7.5%		\$3,750
Direct sales	30.0%		\$15,000
Email campaign	2.5%		\$1,250
SEO Consulting	20.0%		\$10,000
PPC Spend	40.0%		\$20,000
<b>Research &amp; Development</b>	<b>36%</b>	<b>\$</b>	<b>90,251</b>
Initial Platform development	40.0%		\$36,100
Feature Improvements	35.0%		\$31,588
Communications Collateral	25.0%		\$22,563
<b>General &amp; Administrative</b>	<b>44%</b>	<b>\$</b>	<b>109,749</b>
Legal fees	25.0%	\$	27,437
Operating cash	75.0%	\$	82,312
<b>TOTAL USES</b>	<b>100%</b>	<b>\$</b>	<b>250,000</b>

### Exit Strategy

Strategic acquisition is the most likely exit event projected to occur within next 2-4 years. The profile of the acquirer would include both substantial growth synergies between CCC and their existing business or would enable acquirer to enter the specialized niche market of the staffing segment. Competitive motivations may also drive such acquisition, but it is less likely due to the above-mentioned specialization. Based on the financial projections of CCC's organic growth trajectory, we believe the exit enterprise value would be \$12M-\$18M and represent EBITDA multiple of 6x-8x. The longer end of the exit strategy would likely increase the purchase price by 20%-30% and drive the multiples slightly higher due to larger size of potential value realized through synergies.

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